COTTON CHATS

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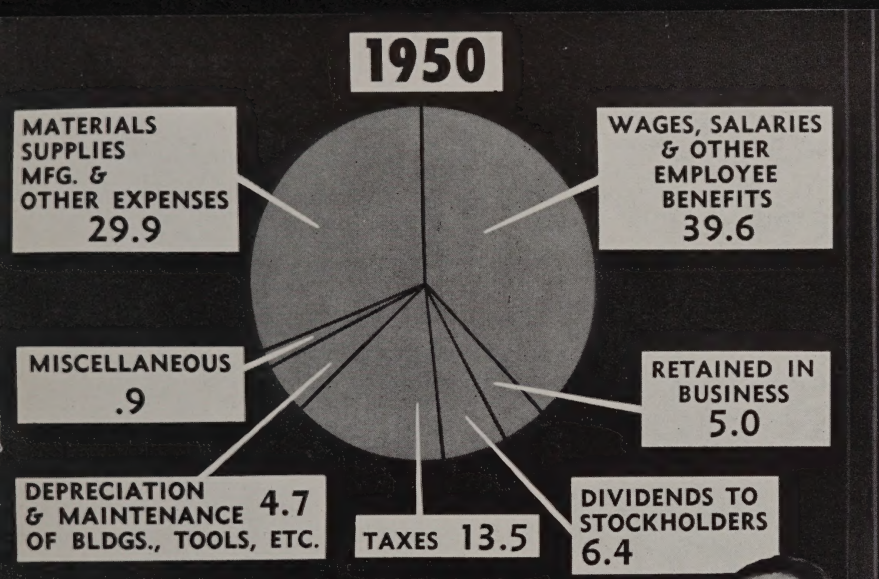
A REPORT TO OUR EMPLOYEES

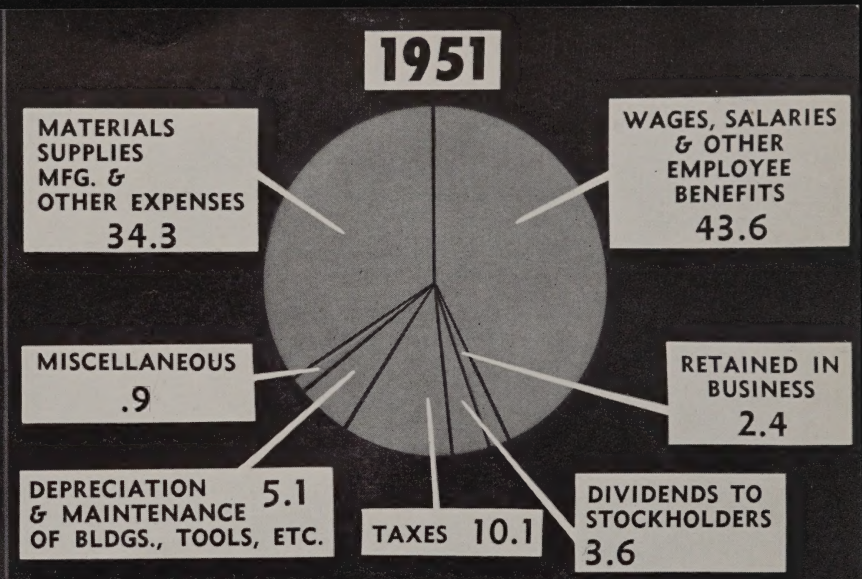
We feel that our employees have a great interest in how Draper Corporation is doing financially.

Therefore this issue of Cotton Chats has been prepared in order to give you a simple report on how we made out in 1951 compared with 1950, and how business looks for the future.

We want you to understand especially just "who" gets "how much" of each sales dollar; that is, of each dollar that Draper Corporation takes in from the sales of its looms, repair parts, shuttles, bobbins, and other products.

The facts and figures follow.


1950
MATERIALS SUPPLIES MFG. & OTHER EXPENSES 29.9
WAGES, SALARIES & OTHER EMPLOYEE BENEFITS 39.6
MISCELLANEOUS .9
RETAINED IN BUSINESS 5.0
DEPRECIATION & MAINTENANCE OF BLDGS., TOOLS, ETC. 4.7
TAXES 13.5
DIVIDENDS TO STOCKHOLDERS 6.4


1951
MATERIALS SUPPLIES MFG. & OTHER EXPENSES 34.3
WAGES, SALARIES & OTHER EMPLOYEE BENEFITS 43.6
MISCELLANEOUS .9
RETAINED IN BUSINESS 2.4
DEPRECIATION & MAINTENANCE OF BLDGS., TOOLS, ETC. 5.1
TAXES 10.1
DIVIDENDS TO STOCKHOLDERS 3.6

TOTAL PROFIT

	1950	1951
Retained in business	5.0	2.4
Dividends to stockholders	6.4	3.6
Total profit	11.4	6.0

SHOWN IN CENTS OUT OF EACH SALES DOLLAR

STATEMENT OF INCOME

	1950	1951
Operation profit before depreciation	$11,434,456	$8,201,713
Depreciation of property plant & equipment	1,208,273	1,132,814
	10,226,183	7,068,899
Other income (net)	314,331	142,821
	10,540,514	7,211,720
Provision for taxes	4,979,044	3,930,000
Net profit for year	5,561,470	3,281,720

Income—and Where the Money Goes.

Earnings for 1951 were down as compared with 1950. In 1951 we earned $3,281,720 as compared with $5,561,470 in 1950.

In the photograph on the opposite page President Thomas H. West is seen as he stands before two diagrams explaining from them how this income was divided in 1950 and 1951.

Think of each circle as representing a dollar of Draper income or sales in each of these years; or, as we say, the "Sales Dollar". The pie-shaped pieces of the circles on these charts show, by their size, how each sales dollar was divided.

Higher in 1951 were wages, salaries and cost of employee benefits, costs of all materials and supplies, general manufacturing expense, and all costs for keeping buildings, tools and machinery in repair.

Lower in 1951 than in 1950 was the amount that was left as profit to Draper Corporation. This was only 6 cents out of each dollar of sales in 1951 as compared with 11.4 cents in 1950. Of this 6 cents in 1951 the stockholders got only 3.6 cents, and there was only 2.4 cents retained in the business for new developments etc.

Taxes were lower for 1951 than 1950, but this was only because profits were lower, since taxes are largely based on profits.

The main thing that these diagrams show is what a big slice of both the 1951 and 1950 sales dollar went into materials and supplies, and what a big slice went into wages and salaries, as compared to the slice left as profit to the stockholders.

The other thing that these diagrams show is that in 1951 the slices for materials and wages were quite a bit larger than in 1950. That is principally because materials we had to buy were more expensive and wages and salaries were higher. We, on the other hand, were not allowed by

the government to raise prices enough to take care of these increases.

As a result, the small slice left for the stockholders, who are the owners of the business, was even smaller in 1951 than in 1950.

Looking Ahead.

Business among Draper customers in the textile mills has been in the longest slump since 1932.

At the beginning of the Korean War textile mills started to produce in volume. War shortages of cloth were anticipated. Both wholesale and retail firms bought and stored large amounts of cloth. Warehouses all over the country were filled, and surpluses of cloth resulted.

Orders from the government for war goods were expected to keep the mills busy, but did so for only a short while.

How long it will be before there is an improvement in the textile business we do not know, but there is reason for feeling that the worst may be behind us. We are even hopeful that conditions will improve by the end of the year.

The Corporation has taken up the slack which has resulted from having fewer loom orders by doing defense work. During 1951 we began the manufacture of machine tools which will continue through 1952. We are now starting on work for the Airplane Program. This job is small now, but may well become larger.

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As in World War II, if loom production is slowed down still more, efforts will be made to find other products to manufacture. We will do everything possible to hold our organization together.